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PUBLIC UTILITIES  
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application	)	DOCKET NO. 2009-0048
	)	
MOLOKAI PUBLIC UTILITIES, INC.	)	WEST MOLOKAI ASSOCIATION'S
	)	INFORMATION REQUESTS REGARDING
For review and approval of rate increases;	)	MPUI'S REBUTTAL TESTIMONIES AND
revised rate schedules; and revised rules.	)	EXHIBITS
_____	)	

WEST MOLOKAI ASSOCIATION'S INFORMATION REQUESTS REGARDING  
MPUI'S REBUTTAL TESTIMONIES AND EXHIBITS

Comes now West Molokai Association, Inc., an intervenor party in the above-captioned proceeding ("WMA"), by and through its legal counsel, William W. Milks, to file Information Requests (i.e. WMA-IR-MPRT-\_\_\_), focusing on the rebuttal testimonies and exhibits of Molokai Public Utilities, Inc. ("MPUI"), pursuant to the Stipulated Pre-Hearing Schedule and Order, dated November 6, 2009.

**WMA-IR-MPRT-101**      In reference to Exhibit MPU-R-6, p.3, MPUI's "percent of  
production," and "percent of sales," are based upon the "total

water pumped [from Well No. 17]. A significant amount of water used by MPUI for its utility operations has surface water as its source. What is the amount of surface water used by MPUI for its service area, for years 2006, 2007, 2008, and 2009, if known to MPUI?

**WMA-IR-MPRT-102**

On p. 15 of MPUI's Rebuttal Testimony, it is stated that "the company, since the last rate case has made improvements in its operations and treatment processes and has reduced the lost and unaccounted for water and also reduced the water used in the water treatment process." Please disclose MPUI's estimated (a) amounts of water saved (i.e. reduction in lost water), (b) amount of reduction in unaccounted for water, and (c) the amount of reduction of water used in the water treatment process, in terms of thousands of gallons (TG), by year, for years 2006, 2007, 2008, and 2009.

**WMA-IR-MPRT-103**

In MPUI's Rebuttal Testimony (pp. 40-41), it is stated that the company's situation is now "normalized" and that there is "no excess capacity." In furtherance of that statement please respond to the following:

- a. How does the company propose to recover plant costs and fixed costs (i.e. costs which are embedded and cannot be reduced over a short-term) for plant and facilities dedicated to serving the golf course, the hotel, and other currently

non-operating facilities in MPUI's service area.

- b. Confirm that the current rate design was approved by the Commission for a situation where the golf course and the hotel were operating and were a normal part of the demand for utility water services.
- c. Confirm that the current rate design effective prospectively, would place the burden of paying for that portion of fixed costs previously partially borne by the hotel and the golf course, onto the remaining MPUI customers.
- d. In rate making, is it correct that shareholders bear the risks and the rewards of their investments in utility facilities?

**WMA-IR-MPRT-104**

If MPUI were to undertake a cost of service study by "Innovative Regulatory Solutions, LLC" (solely owned by witness O'Brien), what is the estimated total cost of such a "cost of service" study?

- a. In order to complete such a "cost of service" study, with reliable recommendations, how long and how much would the data collection aspects of the initial phase of the "cost of service study" take, in terms of time and in terms of dollar costs? (Include in this figure the installation of equipment such as meters, pressure valves, wiers, leak detection equipment, etc. being specific as to the costs of each category of items.)

- b. For purposes of the analysis of data, please state what methodology would be employed by Innovative Regulatory Solutions, Inc., in doing such a study. (Please provide an estimate of the costs of the analysis and preparation of the final report, in terms of dollars and in terms of time requirements.)

**WMA-IR-MPRT-105**

In p. 27 through 31 of MPUI's rebuttal testimony, MPU has attempted to justify its \$377,383 expenditure for legal and regulatory costs (including a \$23,665 expense for an audit) as being a reasonable amount, to be amortized over three years, for regulatory expenses. Please respond to the following:

- a. Based on expert witness O'Brien's experience with presenting testimony in over 200 proceedings before state regulatory commissions, specify each proceeding – by State and Docket Number – wherein the annual regulatory expense exceeded 10% of the requested revenue requirement ( $\$125,794/\$1,196,374 = 10.5\%$ ).
- b. In all of the 200-plus cases that expert witness O'Brien has testified, please have him identify – by Docket No. and State – where the recommended regulatory expense was greater than 10% of either net plant (here, \$1,017,583) or the average rate base (here, \$1,190,062)? If available, for each case, disclose the number of intervenors in each such

case.

**WMA-IR-MPRT-106**

On p. 41 of MPU's testimony, it states that dealing with excess capacity by either "a reduction to rate base" or the "disallowance of a rate of return," would be unfair, in what manner does MPU propose to deal with the situation which is equally or more grossly unfair to the remaining existing customers of MPU to bear the full costs of the plant constructed and the leases entered into to operate a water system where one half of the demand for the utility system's water has been suddenly eliminated due to a company affiliated with the water utility company?

**WMA-IR-MPRT-107**

On p. 45 MPUI's sole witness in this proceeding states, "While I am not an engineer or a utility operator, based on conversations with company personnel and observations at other small utilities in Hawaii, I think that MPUI's service and facilities are equal to those other companies."

- a. Will MPUI be sponsoring a witness who is qualified either as an engineer or a utility operator, to answer questions with regard to MPUI's services and facilities being equal to those of other companies, with regard to operations or engineering?
- b. If so, who is that witness? If not, what testimony supports MPUI's proposition that its service and facilities comply with utility industry standards?

**WMA-IR-MPRT-108**

On p. 46 of MPUI's testimony it is contended that WMA's Exhibit 204 is a similar analysis to the water loss analysis set forth in MPU-R-6, page 3.

- a. If so, please explain the differences in the calculation of fuel expenses (incurred at Well No. 17) and electric expenses (incurred at pumping stations) being so different.
- b. Isn't it arithmetically correct that if only 10% of the water from Well No. 17 was lost or unaccounted for, that the cost of energy (electric and diesel fuel) would be as computed in Exhibits WMA-205 and 206, and not the figure computed on your MPU-R-6?

**WMA-IR-MPRT-109**

On page 50, lines 14 to 16, MPUI states the contingency factor was increased from 10 percent to 15 percent, to reflect the significant amount of driving required by field employees in performing their normal activities. Please provide the basis for the 5 percent increase.

**WMA-IR-MPRT-110**

Re: Exhibit MPU-R-11, page 4 of 4: Summary of the Job Descriptions and Activity Hours. Please designate which employee or employees numbered 1 to 7 (as shown on Exhibit MPU-R-11 page 2 of 4) will perform the duties for each job description shown on Exhibit MPU-R-11, lines 1 to 9.

**WMA-IR-MPRT-111**

On page 52, line 22 and page 53, lines 1 to 2, MPUI states that "active intervention" has caused substantial increases in rate case

costs. Because “active intervention” is abnormal – at least historically, for MPUI – isn’t it proper to disallow the \$125,000-plus amount as an abnormal operating expense?

**WMA-IR-MPRT-112**

On page 53, MPUI proposes a three-year rate case amortization. Please confirm the fact that implementation of fuel and power adjustment clauses will lessen the frequency of rate cases, and thus extend the duration of time between rate cases.

**WMA-IR-MPRT-113**

Is the following statement found on page 54, lines 4 to 9, MPUI’s position or its expert’s opinion: “I believe the Commission should require the Company to provide its actual expenses at the end of the hearing process with an estimate for the briefing activity if required by the Commission and that those total expenses should be amortized over a three-year period. As of today, as shown on Exhibit MPU-R-9, those total costs are estimated to be \$377,383 and the annual amortization is \$125,794.”

Is it MPU’s position that MPUI seeks to recover all of MPU’s actual costs incurred in this rate proceeding, regardless of whether the expense is a normal expense or an abnormally large actual expense?

**WMA-IR-MPRT-114**

In Exhibit MPU-R-9, page 3, the amount of \$112,972 is shown for legal only expenses for “discovery.” Please explain how the amount was arrived at, when an additional \$47,436 was charged for the same 4 year period by Witness O’Brien, who appears to be

the sponsor for every Response to the Information Requests by Consumer Advocate, WMA, and County of Maui.

**WMA-IR-MPRT-115**

In your Exhibit MPU-R-10, you indicate an average of \$35,125 expended for an evidentiary hearing, presumably extending for no more than 2 days, but normally 1 day (average 1.5 days). How is it that an average 1.5 day hearing costs \$23,416 per day, on average?

**WMA-IR-MPRT-116**

- a. On page 5, lines 10-11, you indicate that the rate per TG for water delivered at the Kualapuu tap is tariffed at \$1.250. Please document your source for the \$1.250 rate.
- b. On your Exhibit MPU-4 page 2 of 2, which purports to be the existing (i.e. temporary) rate, the amount shown for “bulk water sales per month per thousand gallons” is indicated as \$1.125. If this is incorrect, please explain. If it is correct, please document your source for the \$1.250 used in your rebuttal testimony and exhibits.
- c. In your Exhibit MPU-5, page 2 of 2, the two phased-in rates for bulk water sales are \$2.23 and \$3.3984, respectively. Please indicate how these two amounts were derived.
- d. Explain how those two proposed bulk rates are cost-based.
- e. If WMA understands MPUI’s testimonies and Exhibits, the cost of the delivery of water at the Kualapuu tap is



significantly less per TG, then the water delivered to WOM (downstream of the Puunene Water Treatment Facility). Please explain the rationale for using the same rate when the cost of delivery of water at two, distant separate points would appear to be substantially different.

**WMA-IR-MPRT-117**

On page 46, line 17, you indicate MPUI's reliance on Exhibit WMA-204 for your conclusion that WMA's leak analysis/fuel costs, supports MPUI's calculation.

- a. Isn't it correct that the appropriate reference for MPUI's calculations based on WMA would be figures in Exhibit WMA-203, and not Exhibit WMA-204? (See attached copies of the relevant pages.)
- b. Assuming calculations of MPUI were reliant upon Exhibit WMA-203, rather than Exhibit WMA-204 (both attached), the water difference between what is pumped at Well No. 17 and what is recorded as sold to customers would be dramatically different.

**WMA-IR-MPRT-118**

On page 15, lines 1-3, MPUI states the following:

"The company would agree that, once the known uses of water are accounted for, a maximum percent for lost and unaccounted for water should be 10%."

- a. Is the company stating that it is agreeing to a maximum percent for lost and unaccounted for water being set at

10%?

- b. Assuming water has properly been accounted for two known uses (i.e. MIS evaporation and water treatment backwash), is MPUI agreeing to a 10% maximum percentage for lost and unaccounted for water?

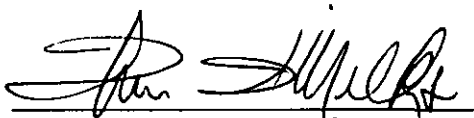
**WMA-IR-MPRT-119**

Regarding water losses at the Puunana Water Treatment Plant:

- a. Why did MPU select the US Filter "Trimite" process/equipment for the WTP upgrade completed in September 2005?
- b. Did MPU consider alternative water treatment processes/designs that offered lower process losses? If so, please identify each alternative design or process considered, and briefly explain the rationale for its rejection. If not, why?
- c. Please explain the reasons for not installing flow meters and/or other instrumentation to accurately measure/record the actual backwash water flows, given the longstanding concerns regarding this issue.

DATED: Honolulu, Hawaii, February 17, 2010.

Respectfully Submitted,

  
WILLIAM W. MILKS, Counsel  
for West Molokai Association

Fuel Expense

CA-111  
Docket No. 2009-0048  
Page 4 of 4

Line #	Description	[1] Factor Or Reference	[2] Percent of Production	[3] Percent of Sales	[4] Sub-Total (000) gallons	[5] Total
<u>Usage at Kakuakoi</u>						
1	Kakuakoi pro forma test year water usage				103,900	
2	Water Used for Treatment Plant Backwash at 10% of Water Delivered from Mahana Pumps - As a percentage of water delivered to the treatment plant		10.00%	11.1110%	11,544	
3	Sub-total				115,444	
4	General Lost and Unaccounted For Water		10.00%	11.1110%	12,827	
5	Water From MIS				128,271	
6	Water from MIS not Sold	24,371	19.00%	23.46%		
7	Water Retained by MIS for evaporation (under Agreement) at 10% of Water delivered from Well 17 after delivery to Kualapuu		10.00%	11.1110%	14,252	
8	Water Delivered to MIS for Storage and Transport				142,524	
9	Total Water Pumped by Not Sold	38,624	27.10%	37.17%		
10	Water Delivery to Kualapuu Tap				22,900	
11	Production Requirement from Well 17				165,424	
12	Gallons of fuel ratio to gallons of water produced				33.00%	
13	Gallons of Fuel Required for Test Year Production					54,590
14	Cost per gallon					\$ 3.66162
15	Pro forma Fuel Cost					\$ 199,887
16	Fuel Cost per 1,000 gallons sold	L 12 / (L 1 + L 17)			\$ 1.5764	

Diesel Fuel Expense With Actual Losses

Line	Description	Factor	Extension
1.	Billed water usage in retail service area for test year (TG)		104,000
2.	Losses in retail service area As percentage of billed water usage	28.5%	29,640
3.	Finished water required at project meters		133,640
4.	Losses in Puunana Water Treatment Plant As percentage of water required at meters	29.9%	39,958
5.	Puunana Raw Water Reservoir gains/losses		—
6.	Raw water required from Mahana Pump/MIS		173,598
7.	MIS retention - 10% of water input	11.11%	19,289
8.	Raw water required into MIS		192,887
9.	Water usage in Kualapuu for test year (Bulk rate sales to WOM)		26,000
10.	Production requirement from Well #17		218,887
11.	Diesel fuel required (gallons)	33.0%	72,233
12.	Diesel fuel cost per gallon at PFAC base rate	\$2.568	
13.	Diesel fuel expense with actual losses		
	Kualapuu Bulk Sales (26,000 x 0.33 x \$2.568) =	\$22,033	
14.	Diesel Fuel Expense per Billed TG at PFAC Base Rate		
	Kualapuu Bulk Sales (\$22,033 / 26,000) =	\$0.84742	
	Retail Sales Area (\$163,460 / 104,000) =	\$1.57173	

Sources / Notes:

1. All water amounts in TG units (1,000 gallons)
2. Water usage in MPU retail sales area as per Exhibit WMA-206
3. Losses in MPU retail service area as per Exhibit WMA-201
4. Losses in Puunana Storage & WTP as per Exhibit WMA-202
5. Diesel fuel cost per gallon taken from most recent entry in Attachment CA-IR-36(a) Part B

## CERTIFICATE OF SERVICE

The requisite number of copies of the foregoing “West Molokai Association’s Information Requests Regarding MPUI’s Rebuttal Testimonies and Exhibits,” are to be served by U.S. Mail, with prepaid postage, or to be hand-delivered, as indicated, the same date as filing the original, plus eight copies, with the Commission.

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DATED: Honolulu, Hawaii, February 17, 2010.

  
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